

No. 10/9/DASP

Jakarta, 5 March 2008

CIRCULAR LETTER

Subject : Principles for Operation and Oversight of the BI-RTGS System

In reference to the promulgation of Bank Indonesia Regulation Number 10/6/PBI/2008 dated 18 February 2008 concerning the Bank Indonesia Real Time Gross Settlement System (State Gazette of the Republic of Indonesia Number 32 of 2008, Supplement to the State Gazette of the Republic of Indonesia Number 4820), it is necessary to stipulate further the principles for operation and oversight of the Bank Indonesia-Real Time Gross Settlement System (BI-RTGS System) as follows:

A. Principles for Regulation of BI-RTGS System Operation

As stipulated in Bank Indonesia Regulation Number 10/6/PBI/2008 dated 18 February 2008 concerning the BI-RTGS System, the operation of the BI-RTGS System shall be guided by The Core Principles for Systemically Important Payment Systems (CP-SIPS) published by the Bank for International Settlements (BIS). In this regard, the operation of the BI-RTGS System shall be based on the following principles:

1. The Operation of the BI-RTGS System must have well founded legal basis, among others providing for the following:
  - a. legality of BI-RTGS System operation;
  - b. legal certainty concerning the processing of transactions in the BI-RTGS System;

c. finality ...

- c. finality of settlement; and
  - d. legal certainty concerning the rights, obligations and responsibilities of the Operator and Participants.
- 2. The Operator must prepare rules and procedures clarifying for Participants the financial risks pertaining to their participation in the BI-RTGS System. These rules and procedures must, among others, specify:
  - a. system design;
  - b. flow of transactions;
  - c. operating hours and risk management procedures explaining all financial risks that may arise from participation in the BI-RTGS System.
- 3. The operation of the BI-RTGS System must have clear procedures for management of payment system risks, including but not limited to the following:
  - a. Provision of the Intraday Liquidity Facility (FLI) as referred to in the Bank Indonesia regulations concerning the FLI and Sharia FLI (FLIS) and specification of the types of transactions that must be settled by Bank Indonesia through the BI-RTGS System.
  - b. Availability of facilities at the Operator for real time monitoring of balances, gridlock detection, gridlock resolution, monitoring of transaction queuing and change of transaction priority.
  - c. Guidance for Participants to ensure that the sending of transactions does not lead to accumulation at the close of operating hours for

the BI-RTGS System that could result in gridlock, i.e. by providing throughput guidelines or a graduated payment schedule for sending a certain percentage of transaction volume within a certain time limit.

- d. Differentiation of BI-RTGS System transaction fees by time to provide incentive to Participants to send transactions earlier in the day to minimise liquidity risk and prevent gridlock.
  - e. Availability of facilities at participants to monitor queuing and resequence queued transactions.
4. The Operator shall guarantee that the BI-RTGS System design is able to provide assurance of the following:
- a. All transactions processed for Settlement in the BI-RTGS System are final and irrevocable.
  - b. Settlement is conducted in real time; and
  - c. Settlement is conducted during the operating hours prescribed by the Operator, including any change and/or extension to these hours.
5. Settlement is performed using the available funds in the Settlement Accounts of Participants at Bank Indonesia. In this regard, Settlement shall take place only if there is sufficient balance of funds in the Participant Settlement Account, which also includes any FLI received by the Participant from Bank Indonesia.
6. The BI-RTGS System shall operate with a high level of security, be available throughout the prescribed operating hours and be equipped

with ...

with procedures for handling malfunctions and/or emergencies. To ensure this, the Operator shall institute measures that include but are not limited to the following:

- a. provision of a backup system;
  - b. preparation of a Business Continuity Plan (BCP) for the BI-RTGS System; and
  - c. other necessary measures to ensure the security and reliability of the BI-RTGS System.
7. The operation of the BI-RTGS System must be efficient and practical so that it benefits Participants and the economy as a whole.
  8. The Operator must ensure that participation criteria are objective and transparent. To ensure that prospective Participants and Participants comply with the terms and conditions prescribed by the Operator, the Operator has powers to:
    - a. require:
      - 1) prospective Participants to submit documents and comply with the requirements prescribed by the Operator, including but not limited to requirements pertaining to the operation of Settlement Accounts and provision of BI-RTGS System hardware and software.
      - 2) Participants to submit regular and incidental reports and comply with all obligations prescribed by the Operator, including but not limited to obligations pertaining to the preparation of Written Policy and Procedures and the audit report.
    - b. conduct on-site inspection of prospective Participants and current Participants.
  9. The Operator must implement effective, accountable and transparent

governance, including but not limited to:

- a. the internal audit function;
- b. oversight of the BI-RTGS System by payment system overseers;
- c. consultation regarding plans and policies with Participants; and
- d. publication of reports.

**B. Transactions to be Processed through the BI-RTGS System.**

These are the categories of transactions referred to in item A.3.a., namely:

- 1. interbank money market or Sharia interbank money market transactions;
- 2. Bank transactions with Bank Indonesia for sale/purchase of Securities, such as Bank Indonesia Certificates (SBIs) and Government Securities;
- 3. interbank transactions for sale/purchase of Securities for which settlement is performed with the Delivery Versus Payment (DVP) mechanism in the BI-SSSS;
- 4. interbank transactions for the own account of the bank and for the account of bank customers in nominal value conforming to the nominal limit on credit transfers prescribed in the Bank Indonesia National Clearing System regulations;
- 5. other transactions that must be settled by Participants through the BI-RTGS System, as notified by Bank Indonesia.

Besides the transactions that must be processed through the BI-RTGS System as referred to in number 1 until number 5, the Operator has the power to stipulate other transactions that may be processed through the BI-RTGS System.

**C. Oversight ...**

### C. Oversight of BI-RTGS System Operation

To ensure the operation of the BI-RTGS System in compliance with the principles of the CP-SIPS as stipulated in the BI-RTGS System Regulation, Bank Indonesia shall oversee the operation of the BI-RTGS System. In regard to this oversight, the Operator shall perform the following activities:

1. Prepare Written Policy and Procedures;
2. Conduct a security audit of the BI-RTGS System and related networks;
3. Submit the Written Policy and Procedures, Security Audit Report, Internal Examination Report and other reports pertaining to operation and provide other necessary information to the unit responsible for payment system oversight at Bank Indonesia; and
4. Ensure Participant compliance with the regulations issued by Bank Indonesia and the Operator-Participant Agreement.

### D. CONCLUDING PROVISIONS

The provisions in this Circular Letter shall come into force on 31 March 2008.

For the public to be informed, it is ordered that this Circular Letter be promulgated in the State Gazette of the Republic of Indonesia.

Kindly be informed.

BANK INDONESIA,

DYAH N.K. MAKHIJANI  
DIRECTOR OF ACCOUNTING  
AND PAYMENT SYSTEM